

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2216

LISTED AUGUST 30, 1965
156,666 60¢ cumulative preference shares without par value
Ticker abbreviation "MHS PR"
Dial ticker number 1797
Post section 10
200,000 common shares without par value
Ticker abbreviation "MHS"
Dial ticker number 1266
Post section 10

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

MAHER SHOES ONTARIO LIMITED

Continued under the laws of the Province of Ontario by
Letters Patent of Amalgamation dated April 24, 1965

60¢ Cumulative Preference Shares without par value
Common Shares without par value
(Transferable in Toronto, Montreal and Vancouver)

CAPITAL SECURITIES AND FUNDED DEBT AT AUGUST 5, 1965

FUNDED DEBT:	AUTHORIZED	ISSUED	TO BE LISTED
6¼ % Sinking Fund Debentures Series A maturing April 1, 1987 (Note 1)	\$1,750,000	\$1,750,000	Nil
CAPITAL SECURITIES:			
60¢ Cumulative Preference Shares without par value	156,675	156,666	156,666
Common Shares without par value	400,000	200,000	200,000

NOTE 1: Debentures may be issued in one or more series, other than Series A, unlimited in principal amount but subject to restrictions contained in the Trust Indenture under which the Series A Debentures were issued.

August 5, 1965

1. APPLICATION

MAHER SHOES ONTARIO LIMITED (herein called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 156,666 60¢ Cumulative Preference Shares without par value of the Company (herein sometimes called the "Preference Shares") and 200,000 Common Shares without par value of the Company (herein sometimes called the "Common Shares") all of which are issued and outstanding as fully paid and non-assessable.

2. REFERENCE TO THE PROSPECTUS

Reference is hereby made to the attached prospectus issued by the Company under date of June 4, 1965 with respect to the offering of 155,303 60¢ Cumulative Preference Shares without par value and 80,000 Common Shares without par value of the Company, a copy of which prospectus is hereby incorporated in this application and made part hereof.

3.

OPINION OF COUNSEL

Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, 320 Bay Street, Toronto, Ontario, counsel for the Company, are filing in support of this application an opinion stating, among other things, that (i) the Company was duly continued as an amalgamated company by letters patent of amalgamation under the laws of the Province of Ontario, has been duly organized and is a valid and subsisting company in good standing under the laws of the Province of Ontario and (ii) the authorized capital of the Company consists of 156,675 60¢ Cumulative Preference Shares without par value and 400,000 Common Shares without par value of which 156,666 of the Preference Shares and 200,000 of the Common Shares have been issued and are outstanding as fully paid and non-assessable shares.

4.

STATUS UNDER SECURITIES ACTS

The offering of 155,303 of the Preference Shares and the offering of 80,000 of the Common Shares were qualified for sale to the public in the Provinces of Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

5.

LISTING ON OTHER STOCK EXCHANGES

None of the securities of the Company are listed on any other stock exchange.

6.

FISCAL YEAR

The fiscal year of the Company ends on January 31 in each year.

7.

ANNUAL MEETING

Under the by-laws of the Company the annual meeting of the shareholders shall be held on such day in each year as the directors may by resolution determine. No annual meeting of the shareholders of the amalgamated company has yet been held.

8.

HEAD OFFICE

The head office of the Company is located at 144 Front Street West, Toronto, Ontario.

9.

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company at its offices in Toronto, Montreal and Vancouver is the transfer agent and registrar for the Preference Shares and Common Shares of the Company.

10.

TRANSFER FEE

No fee is charged on the transfer of the Preference Shares or the Common Shares other than customary government security transfer taxes.

11.

AUDITORS

The auditors of the Company are Messrs. Clarkson, Gordon & Co., Chartered Accountants, 15 Wellington Street West, Toronto, Ontario.

12.

DIRECTORS

Lane Reginald Chester	Executive	88 Jackson Avenue, Toronto 18, Ontario.
Jack Boyd Coutts	Executive	5 Valleyanna Drive, Toronto 12, Ontario.
David Russell	Executive	36 Marvin Drive, St. Catharines, Ontario.
George Francis Travelle	Executive	7 Robinhood Road, Islington, Ontario.
Donald Gilpin Willmot	Executive	33 Hillcrest Avenue, St. Catharines, Ontario.
George Murrison Wilson	Executive	27 Harrison Road, Willowdale, Ontario.
Thomas Plunkett Wilson	Executive	25 Rowse Crescent, Toronto 15, Ontario.

This prospectus is not, and under no circumstances is to be construed as, a public offering of these securities for sale in the United States of America or in the territories or possessions thereof.

PREVIOUSLY ISSUED SHARES

Maher Shoes Ontario Limited

(Incorporated under the laws of the Province of Ontario)

155,303

60¢ Cumulative Preference Shares

(without par value)

80,000

Common Shares

(without par value)

Prospectus

The Common Shares offered by this prospectus are outstanding shares and no proceeds of the sale thereof will be received by the Company.

PREVIOUSLY ISSUED SHARES

Maher Shoes Ontario Limited

(Incorporated under the laws of the Province of Ontario)

80,000

Common Shares

(without par value)

Transfer Agent and Registrar:

THE CANADA TRUST COMPANY
Toronto, Montreal and Vancouver

The listing of these Common Shares on The Toronto Stock Exchange has been approved subject to the filing of documents and evidence of satisfactory distribution, both within 90 days.

We, as principals, offer these Common Shares, subject to prior sale and change in price and subject to the approval of all legal matters on behalf of the Company by Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto and on our behalf by Messrs. Zimmerman, Haywood, Winters & Chambers, Toronto.

Price: \$10.00 per share

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that interim share certificates will be available for delivery on or about June 30, 1965.

The 60¢ Cumulative Preference Shares offered by this prospectus are outstanding shares and no proceeds of the sale thereof will be received by the Company.

PREVIOUSLY ISSUED SHARES

Maher Shoes Ontario Limited

(Incorporated under the laws of the Province of Ontario)

155,303

60¢ Cumulative Preference Shares

(without par value)

These 60¢ Cumulative Preference Shares, without par value, are fully paid and non-assessable; entitled to fixed cumulative preferential cash dividends (accruing from July 1, 1965) as and when declared by the Board of Directors at the rate of 60 cents per share per annum payable quarterly on the 1st days of January, April, July and October in each year at any branch of the Company's bankers in Canada; non-redeemable at any time; non-voting (except in certain events); entitled on liquidation, dissolution, winding up or any distribution of assets of the Company among its shareholders for the purpose of winding up to receive all declared and unpaid preferential dividends thereon and thereafter to share equally with the Common Shares, share for share, in any further distribution of the property or assets of the Company.

A full statement of the provisions attached to the 60¢ Cumulative Preference Shares is set out in the statutory information forming part of this prospectus.

Transfer Agent and Registrar:

THE CANADA TRUST COMPANY
Toronto, Montreal and Vancouver

The listing of these 60¢ Cumulative Preference Shares on The Toronto Stock Exchange has been approved subject to the filing of documents and evidence of satisfactory distribution, both within 90 days.

We, as principals, offer these 60¢ Cumulative Preference Shares, subject to prior sale and change in price and subject to the approval of all legal matters on behalf of the Company and the present holder of these shares by Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto and on our behalf by Messrs. Zimmerman, Haywood, Winters & Chambers, Toronto.

Price: \$9.60 per share to yield 6.25%

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that interim share certificates will be available for delivery on or about June 30, 1965.

Mr. Lane R. Chester, President of Maher Shoes Ontario Limited, has supplied the following information:

The Company

Maher Shoes Ontario Limited was formed by letters patent of amalgamation issued on April 24, 1965 pursuant to Section 96 of The Corporations Act (Ontario). The amalgamating companies were Maher Shoes Limited, incorporated under the laws of the Province of Ontario by letters patent dated January 6, 1912 under the name Reliance Shoe Company Limited (which name was changed to Maher Shoes Limited by supplementary letters patent dated September 20, 1957) and Farnsworth Stores Limited, incorporated under the laws of the Province of Ontario by letters patent dated November 23, 1964. The abbreviated designations sometimes used herein are "the Company" for Maher Shoes Ontario Limited, "Maher" for Maher Shoes Limited, and "Farnsworth" for Farnsworth Stores Limited.

The Company conducts a retail shoe business through 124 outlets located in cities and towns throughout Ontario. The name Maher identifies 104 of these stores, the trade style Bonita is used for 12, and in the case of the remaining 8, which are leased departments, the name of the department store is used. The Company's head offices, warehouse and manufacturing and wholesale divisions are located at 144 Front Street West, Toronto.

Business and Operations

The Company is one of the major shoe chains serving the Ontario market. Sales are concentrated in the popular-price range and include every type of footwear for which there is a regular demand: women's shoes of all types from high styled dress shoes through to casuals and teenage flats, men's and boys' dress shoes, work boots and casual shoes, juvenile and children's shoes, rubbers, overshoes, sneakers and slippers. Most of the shoes are sold under the Company's own brand names—Glendale, Ascot, Continental, Highlights of Fashion, Tune Steps, Chipmunks, Tippy Toes, etc. More than forty of the Company's brand names are registered. Sales of accessories, principally purses, handbags, and hosiery, represent a profitable addition to the sales of the Company.

Merchandise is purchased from more than 200 suppliers and the established policy is to buy from season to season in accordance with the best available style, price and quality. No single supplier receives more than a relatively small percentage of the Company's total purchase orders. Most of the Company's purchases are made in Canada.

The Company has 41 retail outlets in the Metropolitan Toronto area and 83 in other cities and towns throughout Ontario. In the latter group many could be classified as "main street" stores—central locations in communities of a size generally not conducive to supporting a shopping centre—and others are classifiable as conventional, shopping district stores. Eight outlets in the latter group are leased departments in department stores. There are 35 stores in shopping centres of which 19 are in the Metropolitan Toronto area. In respect of the total of 124 retail units, 90 are held under regular commercial leases, including many in which there are fixed, minimum rents plus a percentage of sales, 14 locations, including the 8 leased departments, are tenancies under various arrangements, and 20 stores are owned by the Company.

Bonita Beautiful Shoe Salons, which sell high styled women's footwear exclusively, were first opened by Maher in 1960. There are now 12 stores of this type and this division will be expanded further.

The Company employs diversified modern methods of retailing and makes a policy of studying all shoe retailing methods in current use and frequently reviewing their respective merits. Selection of new outlets and relinquishment of others is a continuous process. The Company meets the competition of other retailers, whether in the oldest, heavily populated metropolitan shopping district or in the newest super-plaza, such as Yorkdale, Toronto, where there is a successful Maher store as well as six other shoe stores and the shoe departments of two of Canada's major department stores.

MAHER SHOES ONTARIO LIMITED—124 STORE LOCATIONS

MAHER SHOE STORES—Metropolitan Toronto Area—Shopping Plazas—15 stores.

Applewood Village, Cedar Heights, Cloverdale Mall, Downsview, Dufferin, Eglinton Square, Finchurst, Kipling Heights, Newtonbrook, Northtown, Parkway, Shoppers' World, White Shield, Woodview Park, Yorkdale.

MAHER SHOE STORES—Elsewhere throughout Ontario—Shopping Plazas—15 stores.

Ajax, Belleville, Peterborough, Guelph, Niagara Falls, Newmarket, Oakville, Oshawa. *St. Catharines area:* Pen Centre. *Hamilton area:* The Centre, Fennel, Mountain Plaza, Sky-Way, University. *Sudbury area:* Valley Plaza.

MAHER SHOE STORES—Metropolitan Toronto Area—22 stores.

MAHER SHOE STORES—Elsewhere throughout Ontario—52 stores.

Aurora, Barrie, Belleville, Bowmanville, Bracebridge, Brampton, Carleton Place, Chatham, Cobourg, Collingwood, Dundas, Dunnville, Espanola, Elliot Lake, Georgetown, Goderich, Gravenhurst, Grimsby, Guelph, Hamilton (2), Huntsville, Kingston, Kirkland Lake, Kitchener, Listowel, Niagara Falls, North Bay, Orangeville, Orillia, Owen Sound, Paris, Pembroke, Penetanguishene, Perth, Picton, Port Hope, Renfrew, Sault Ste. Marie, St. Catharines, St. Marys, St. Thomas, Sarnia, Simcoe, Smiths Falls, Stratford, Tillsonburg, Trenton, Wallaceburg, Welland, Windsor, Woodstock.

BONITA BEAUTIFUL SHOE SALONS—12 stores.

Chatham, Hamilton, Kingston, Kitchener, London, Oshawa, Windsor. *Shopping Plazas:* Dufferin Plaza, Eglinton Square, Northtown and Shoppers' World in the Metropolitan Toronto area; The Centre in Hamilton.

LEASED DEPARTMENTS—8 Department Stores.

Brampton, Galt, Guelph, Kingston, London (2 locations), Sarnia, Windsor.

The foregoing list and the references to the store locations which precede it reflect the position as at April 30, 1965.

The Company's retail units are maintained at the high level of appearance expected of leading chain store merchandisers. The Company has its own construction department, operating from Toronto head office, which equips new stores, replaces old store fronts and fixtures, and carries on a continuous program of renovations and repairs. Depreciation of fixtures and leasehold improvements is charged into the accounts on a basis consistent with conservative accounting practice.

Approximately 10 new retail locations have been or are expected to be opened during the current calendar year.

The production of the Company's manufacturing division consists largely of men's dress shoes, service shoes, work boots and casual footwear. The wholesale division sells to independent retailers, department stores and other customers from both manufactured and purchased stock. The manufacturing and wholesale divisions are steady and profitable components of the Company's business although both are small relative to the retail operations.

The Market

Based upon figures compiled by the Dominion Bureau of Statistics, total sales of footwear in Canada in 1964 by chain shoe stores, independent shoe stores and department stores amounted to approximately \$282,000,000. Chain shoe stores accounted for about 30% of this total, independent shoe stores for about 35%, and department stores for approximately 35%. The last percentage includes the sales attributable to the Bureau's list of discount department stores, amounting to about 4% of the total. Fairly substantial additional sales of footwear are made by other kinds of retail stores of which general stores constitute the largest group. Estimates of such additional sales, based on limited sample percentages, are available from the Bureau at five year intervals only.

For the Ontario market statistics are available for chain shoe stores and independent shoe stores. The total sales in Ontario of the chains and independents amounted to approximately \$76,500,000 in 1964. The proportion of these sales accounted for by chain shoe stores (about 54% in 1964) has been increasing steadily.

Weather has a marked effect on shoe sales. Because of the absence of snow and winter weather in most of Ontario in December, 1964, sales of rubbers and overshoes were below normal and the chain stores barely surpassed the average of the previous two Decembers, while independent shoe stores fell slightly below.

Imports during 1964 of shoes for sale in Canada were reported by the Dominion Bureau of Statistics at a value of approximately \$11,363,000. The leading supplier was Italy, the United Kingdom second and the United States third. There were additional substantial imports of slippers, canvas shoes and waterproof rubber and plastic footwear, much of it from the Orient.

Record of Growth

The business of the Company has grown steadily and, over a period of twenty years and more, total sales have increased in each successive year. In 1938 there were 51 retail units, in the first postwar year there were 57 units, by 1958 there were 81 units and currently there are 124 units. The Company attaches importance to preserving the initiative and authority of the individual store manager. An incentive payment plan for retail store managers has been in operation in the business for many years.

Property

As at January 31, 1965 the real property owned by Maher consisted of 20 retail stores and the head office building. During most of the period covered by the accompanying statement of earnings the head office building was operated under a lease providing for the payment of a net, fixed rent. In May, 1964, Maher Shoes Limited purchased the building from the Estate of James P. Maher. Maher Shoes Ontario Limited intends to sell and lease back the head office building so that the building will again be operated under a net lease having a fixed rent (subject to variation in certain events) and so that the Company will have certain repurchase rights at the Company's option. The property has a frontage of 76 feet on Front Street West and 250 feet on University Avenue in downtown Toronto. The property was appraised by Eastern & Chartered Trust Company in April, 1965, on a basis of market value, at \$625,000. The Company does not occupy the entire building, rental income being received from two commercial tenants for the three upper-most floors.

Seven of the retail store properties owned by the Company are in Metropolitan Toronto and the remaining 13 are "main street" stores in Ontario cities and towns. An appraisal of these properties, as to land and buildings, was prepared by Dominion Appraisal Company Limited in March, 1965 for Maher and entered on its books at a value of \$1,350,170 which was \$285,995 greater than the former net depreciated book value.

Management

Farnsworth Stores Limited, an investment company incorporated in 1964, acquired substantially all the shares of Maher at the beginning of this year. Upon the amalgamation of Maher and Farnsworth the board of directors of the Company was composed of three members of the group of Canadian investors who controlled Farnsworth and four members of the former board of directors of Maher. The four continuing members of the board, Messrs. L. R. Chester, J. B. Coutts, G. F. Travelle and T. P. Wilson, have also continued in their former executive capacities, in which each has had more than ten years' experience. Mr. M. G. Frazer, C. A., has been the Treasurer of Maher since 1961 and is now Treasurer of the Company.

Employees

The Company employs approximately 559 persons, some of whom are part-time staff; 456 of these are employed in retail operations and 103 in the head office, warehouse and manufacturing and wholesale divisions. Eligible employees participate on a contributory basis in medical, surgical, supplementary hospitalization, and group life insurance plans. Reference was made previously to the Company's long established incentive payment plan for retail store managers.

Capitalization

The capitalization of Maher Shoes Ontario Limited as shown on the pro forma balance sheet as at April 30, 1965 forming part of this prospectus, after giving effect to the transactions set out in the notes thereto, is as follows:

	<u>Authorized</u>	<u>Issued and Outstanding</u>
Debentures	(1)	
6 $\frac{1}{4}$ % Sinking Fund Debentures Series A, due April 1, 1987.....		\$1,750,000
60¢ Cumulative Preference Shares, without par value.....	156,675 shs.	156,666 shs.
Common Shares, without par value.....	400,000 shs.	200,000 shs.

(1) The Debentures may be issued in one or more series, other than Series A, unlimited in principal amount but subject to the restrictions contained in the Trust Indenture.

Dividend Requirement on Preference Shares

The annual dividend requirement of the 156,666 60¢ Cumulative Preference Shares, without par value, is \$94,000. The net earnings available to the Company for the payment of dividends as shown in the accompanying statement of earnings, and after making estimated maximum adjustments in accordance with the notes thereto, have averaged \$308,945 or 3.28 times such annual dividend requirement during the 5 years ended January 31, 1965 and such adjusted earnings were \$313,236 or 3.33 times such annual dividend requirement for the year ended January 31, 1965.

60¢ Cumulative Preference Shares

The following is a summary of certain of the provisions attaching to the 60¢ Cumulative Preference Shares:

Restrictions on creation of other shares.

The Company may not

- (a) increase the authorized number of 60¢ Cumulative Preference Shares, or
- (b) create any preference shares, with or without par value, ranking in priority to or on a parity with the 60¢ Cumulative Preference Shares

without the approval of the holders of the 60¢ Cumulative Preference Shares given in a specified manner.

Restrictions on liquidation or sale of assets.

The Company may not

- (a) dispose of its assets and undertaking as an entirety or substantially as an entirety, or
- (b) be voluntarily liquidated, dissolved or wound up

without the approval of the holders of the 60¢ Cumulative Preference Shares given in a specified manner.

Restriction on Funded Indebtedness.

Subject to certain exceptions, the Company may not issue any funded indebtedness unless the average net earnings, after the deduction of depreciation, for certain stipulated periods shall have been at least equal to three times the aggregate annual interest requirements on all funded indebtedness to be outstanding immediately after such issue. If the Company acquires any subsidiary the foregoing restriction will be on a consolidated basis.

Rights on Liquidation.

In the event of liquidation or any other distribution of assets among the shareholders for the purpose of winding up the Company's affairs, the holders of the 60¢ Cumulative Preference Shares shall be entitled to all

declared and unpaid dividends thereon before any distribution to the holders of the Common Shares and thereafter the holders of the 60¢ Cumulative Preference Shares share equally in any further distributions share for share with the holders of the Common Shares.

Voting Rights.

In the event that the Company shall fail to pay in the aggregate six quarterly dividends on the 60¢ Cumulative Preference Shares, then, and until dividend arrears have been paid in full, the holders of such Preference Shares shall be entitled to receive notice of, and attend, all shareholders' meetings and shall be entitled to one vote per share and also, voting as a class, to elect one member of the Board of Directors. Otherwise the holders of such Preference Shares are not entitled to voting rights.

Non-redeemable.

The 60¢ Cumulative Preference Shares are not redeemable by the Company at any time.

Dividend Restriction.

The Company shall not pay any dividends on the Common Shares unless all dividends up to and including the dividend payable for the last completed quarter on the 60¢ Cumulative Preference Shares shall have been declared and paid or set apart for payment. Dividends shall not be paid on the Common Shares if upon such payment the aggregate dividends paid on all the shares of the Company since the date of amalgamation, April 24, 1965, will be more than the aggregate of the consolidated net earnings available for dividends from the said date of amalgamation, plus \$100,000 plus the net proceeds of any future issue of any Common Shares.

Common Shares.

The holders of the Common Shares of the Company are entitled to two votes per share. The Common Shares may be subdivided or consolidated and additional Common Shares may be issued provided that the Common Shares shall not be subdivided into a greater number of Common Shares unless immediately after such subdivision the equity value per share of each 60¢ Cumulative Preference Share and Common Share to be outstanding shall be at least equal to \$10.

The foregoing Summary is for convenience only and reference should be made to the full text of the provisions attaching to the 60¢ Cumulative Preference Shares which appears in the Statutory Information forming part of this prospectus.

Common Share Dividends

The Directors of the Company have expressed their intention to declare and pay dividends quarterly on the Common Shares of the Company at the annual rate of 42¢ per share, subject to the considerations ordinarily taken into account by a Board of Directors prior to the declaration of dividends.

Current Operations

Sales and profits of the business showed normal growth for the quarter ended April 30, 1965, compared with the same quarter of the previous year. The net earnings for the quarter ended April 30, 1965, as reported on in the accompanying statement of earnings, consist of the earnings of the two predecessor companies from January 31, 1965 to the date of amalgamation, April 24, 1965, and the earnings of the Company thereafter. Note 2 to the statement of earnings refers to the relationship of the previous annual earnings of Maher to the future annual earnings of the Company.

Sales of the Company and of Maher for the quarter ended April 30, 1965 were 9% higher than the sales of Maher for the same quarter of the previous year. Beginning last fall the rate of lease negotiations and store openings was increased and, as a result, growth of sales during the current year should be above average.

Maher Shoes Ontario Limited

and its predecessor companies

Statement of Earnings for Ten Years and Three Months Ended April 30, 1965

<u>Year ended January 31</u>	<u>Earnings from Operations before Depreciation and Income Taxes</u>	<u>Provision for Depreciation (including amounts written off improvements to store premises)</u>	<u>Earnings before Income Taxes</u>	<u>Provision for Income Taxes</u>	<u>Net Earnings</u>
1956.....	\$511,055	\$ 61,403	\$449,652	\$207,193	\$242,459
1957.....	545,487	65,842	479,645	219,671	259,974
1958.....	710,139	87,362	622,777	302,000	320,777
1959.....	800,794	99,358	701,436	341,000	360,436
1960.....	940,503	99,657	840,846	435,000	405,846
1961.....	978,582	116,179	862,403	434,000	428,403
1962.....	894,513	131,792	762,721	380,000	382,721
1963.....	811,700	138,640	673,060	331,000	342,060
1964.....	933,559	140,250	793,309	407,000	386,309
1965.....	925,199	151,963	773,236	383,000	390,236

The foregoing earnings are those of Maher Shoes Limited (one of the predecessor companies) (Note 1)

1965 (Three months ended April 30) (Note 1)	93,130	37,380	55,750	34,000	21,750
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NOTES:

1. The above earnings for the three months ended April 30, 1965 are those of Maher Shoes Ontario Limited from April 24, 1965 to April 30, 1965 and of the predecessor companies prior to April 24, 1965. The predecessor companies are Maher Shoes Limited and Farnsworth Stores Limited which amalgamated on April 24, 1965 to form Maher Shoes Ontario Limited. Maher Shoes Limited has been re-assessed for both federal and provincial income taxes up to January 31, 1963. Farnsworth Stores Limited has had no taxable income since its incorporation on November 23, 1964.

Earnings from operations for the three months ended April 30, 1965 reflect the deduction of the expenses of Farnsworth Stores Limited totalling \$28,104.

Owing to the seasonal nature of the Company's business, earnings for a three months period ending April 30 are not representative of the results of a full year's operations.

2. Depreciation charges will be increased by a maximum of approximately \$11,000 a year as a result of the increase in the values assigned to fixed assets as explained in Note 2 to the balance sheets as at April 30, 1965.

Interest and amortization charges on the \$1,750,000 6¼% Sinking Fund Debentures Series A, together with the elimination of certain cash balances previously held, will result in increased interest and debt charges estimated at a maximum of \$131,000 per annum.

After deduction of income taxes the effect of such increases in depreciation and interest and debt charges on net earnings is estimated at a maximum of \$77,000 per annum.

Maher Shoes Ontario Limited
Balance Sheet and Pro Forma Balance Sheet
as at April 30, 1965 (Note 1)

	<u>Balance Sheet</u>	<u>Pro Forma Balance Sheet</u>
ASSETS		
Current:		
Cash.....	\$1,583,264	—
Accounts receivable less allowance for doubtful accounts.....	101,107	\$ 101,107
Inventories valued at the lower of cost or market.....	2,666,078	2,666,078
Prepaid expenses.....	87,469	87,469
Total current assets.....	<u>4,437,918</u>	<u>2,854,654</u>
Fixed:		
Land and buildings at appraised values (Note 2)		
Land.....	969,250	663,000
Buildings.....	1,008,495	689,745
	<u>1,977,745</u>	<u>1,352,745</u>
Fixtures and equipment at cost.....	1,037,006	1,037,006
Improvements to store premises at cost.....	409,051	409,051
	<u>1,446,057</u>	<u>1,446,057</u>
Less accumulated depreciation.....	882,204	882,204
	<u>563,853</u>	<u>563,853</u>
Total fixed assets.....	<u>2,541,598</u>	<u>1,916,598</u>
Other:		
Debenture commissions and issue expenses and expenses of share issue..	60,000	75,000
Excess of cost of investment in a predecessor company over the values assigned to its tangible assets as at date of acquisition (Note 2)....	1,168,965	1,168,965
	<u>1,228,965</u>	<u>1,243,965</u>
	<u>\$8,208,481</u>	<u>\$6,015,217</u>

Maher Shoes Ontario Limited

Balance Sheet and Pro Forma Balance Sheet as at April 30, 1965 (Note 1)

	Balance Sheet	Pro Forma Balance Sheet
LIABILITIES		
Current:		
Bank indebtedness	—	\$ 371,711
Accounts payable and accrued charges	\$ 954,201	969,201
Income and other taxes payable	456,612	456,612
Total current liabilities	<u>1,410,813</u>	<u>1,797,524</u>
Long term debt:		
6¼% Sinking Fund Debentures Series A maturing April 1, 1987	<u>1,750,000</u>	<u>1,750,000</u>
Shareholders' equity:		
Capital		
Balance sheet:		
Authorized:		
83,230 Class A Preference Shares with a par value of \$31 each (5¾%, redeemable at par)		
156,675 Class B Preference Shares without par value (60¢ non-cumulative dividend, non-redeemable)		
400,000 Common Shares without par value		
Issued and fully paid:		
83,225 Class A Preference Shares with a par value of \$31 each	2,579,975	
156,666 Class B Preference Shares without par value	1,413,127	
200,000 Common Shares without par value	1,032,816	
Pro forma balance sheet:		
Authorized:		
156,675 60¢ Cumulative Preference Shares without par value (non-redeemable)		
400,000 Common Shares without par value		
Issued and fully paid:		
156,666 60¢ Cumulative Preference Shares without par value		1,413,127
200,000 Common Shares without par value		1,032,816
	<u>5,025,918</u>	<u>2,445,943</u>
Retained earnings	21,750	21,750
	<u>5,047,668</u>	<u>2,467,693</u>
Approved on behalf of the Board:		
(Signed) L. R. CHESTER, Director		
(Signed) J. B. COUTTS, Director		
	<u><u>\$8,208,481</u></u>	<u><u>\$6,015,217</u></u>

Maher Shoes Ontario Limited

and its predecessor companies

Statement of Retained Earnings and Appraisal Surplus for the Fifteen Months Ended April 30, 1965

	<u>Retained earnings</u>	<u>Appraisal surplus</u>
Balance of retained earnings of Maher Shoes Limited, February 1, 1964.....	\$3,476,968	
Add:		
Net profit of Maher Shoes Limited for the year ended January 31, 1965....	390,236	
Surplus arising from write up to appraisal values of:		
Retail store properties.....		\$285,995
Head office and warehouse building.....		94,801
	<u>3,867,204</u>	<u>380,796</u>
Deduct:		
Dividends paid by Maher Shoes Limited in 1964.....	162,500	
Retained earnings of Maher Shoes Limited at January 31, 1965 (control having been acquired by Farnsworth Stores Limited on January 29, 1965) elim- inated on amalgamation.....	3,704,704	
Application of appraisal surplus as described in Note 2 to the balance sheet..		380,796
	<u>3,867,204</u>	<u>380,796</u>
Balance.....	\$ Nil	<u><u>\$ Nil</u></u>
Add consolidated net profit of Farnsworth Stores Limited and its subsidiary Maher Shoes Limited for the period from February 1, 1965 to April 24, 1965 (date of amalgamation) and net profit of Maher Shoes Ontario Limited (the amalgamated company) for the week ended April 30, 1965.....		21,750
Balance of retained earnings of Maher Shoes Ontario Limited, April 30, 1965.....	<u><u>\$ 21,750</u></u>	

Maher Shoes Ontario Limited

Notes to the Balance Sheet and Pro Forma Balance Sheet as at April 30, 1965

1. The pro forma balance sheet gives effect to the following:
 - (a) The sale by the Company of its head office building for \$625,000 which building will be leased back to the Company;
 - (b) The retirement of 83,225 Class A Preference Shares of Maher Shoes Ontario Limited for their par value and the issue of supplementary letters patent cancelling the five unissued Class A Preference Shares and designating the Class B Preference Shares as 60¢ Cumulative Preference Shares; and
 - (c) Provision for expenses in connection with the issue of this prospectus totalling \$15,000.
2. The Company's head office and warehouse building was appraised on April 5, 1965 by Eastern & Chartered Trust Company at market value. Subsequently the Company contracted to sell the said building at its appraised value of \$625,000 (which is \$94,801 in excess of net book value) and to lease back the said building.

The retail store properties were appraised on the basis of depreciated replacement value of the lands and buildings on March 24, 1965 by Dominion Appraisal Company Limited. The appraised values of such lands and buildings exceeded the net book values at which these assets appeared on the books of Maher Shoes Limited by \$285,995.

The resulting appraisal surpluses totalling \$380,796 were applied to reduce the excess of the cost of the investment in a predecessor company over the book values of its tangible assets at the date of acquisition.

Auditors' Report

To the Directors of
MAHER SHOES ONTARIO LIMITED:

We have examined the balance sheet and pro forma balance sheet of Maher Shoes Ontario Limited as at April 30, 1965, the statement of retained earnings and appraisal surplus of Maher Shoes Ontario Limited and its predecessor companies for the fifteen months ended April 30, 1965 and the statement of earnings of Maher Shoes Ontario Limited and its predecessor companies for the ten years and three months ended April 30, 1965. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

1. The balance sheet of Maher Shoes Ontario Limited presents fairly the financial position of the Company as at April 30, 1965 in accordance with generally accepted accounting principles.
2. The pro forma balance sheet of Maher Shoes Ontario Limited presents fairly the financial position of the Company as at April 30, 1965 in accordance with generally accepted accounting principles after giving effect to the transactions set out in the notes thereto.
3. The statement of retained earnings and appraisal surplus presents fairly the retained earnings and appraisal surplus of Maher Shoes Ontario Limited and its predecessor companies for the fifteen months ended April 30, 1965 in accordance with generally accepted accounting principles consistently applied.
4. The statement of earnings, when read with the notes thereto, presents fairly the earnings of Maher Shoes Ontario Limited and its predecessor companies for the ten years and three months ended April 30, 1965 in accordance with generally accepted accounting principles consistently applied.

Toronto, Canada
June 4, 1965

CLARKSON, GORDON & CO.
Chartered Accountants

Statutory Information

1. The full name of the Company is Maher Shoes Ontario Limited (hereinafter called the "Company") and the address of the head office of the Company is 144 Front Street West, Toronto, Ontario.

2. The Company is the company continuing from the amalgamation of Maher Shoes Limited and Farnsworth Stores Limited effected by letters patent of amalgamation dated April 24, 1965. Maher Shoes Limited was incorporated under the laws of the Province of Ontario by letters patent dated January 6, 1912 and supplementary letters patent dated July 7, 1922, February 10, 1941, February 21, 1955, September 20, 1957 and May 15, 1958 respectively were issued to Maher Shoes Limited. Farnsworth Stores Limited was incorporated under the laws of the Province of Ontario by letters patent dated November 23, 1964. No supplementary letters patent have been issued to Farnsworth Stores Limited or to the Company. Reference is made, however, to paragraph 7 of this Statutory Information.

3. The general nature of the business actually transacted or to be transacted by the Company is the manufacture and sale of shoes, boots, footwear, handbags, hosiery, gloves and related leather and rubber goods.

4. The names in full, present occupations and home addresses in full of the directors and officers of the Company are as follows:

Directors

LANE REGINALD CHESTER.....	Executive.....	88 Jackson Avenue, Toronto 18, Ontario.
JACK BOYD COUTTS.....	Executive.....	5 Valleyanna Drive, Toronto 12, Ontario.
DAVID RUSSELL.....	Executive.....	36 Marvin Drive, St. Catharines, Ontario.
GEORGE FRANCIS TRAVELLE.....	Executive.....	7 Robinhood Road, Islington, Ontario.
DONALD GILPIN WILLMOT.....	Executive.....	33 Hillcrest Avenue, St. Catharines, Ontario.
GEORGE MURRISON WILSON.....	Executive.....	27 Harrison Road, Willowdale, Ontario.
THOMAS PLUNKETT WILSON.....	Executive.....	25 Rowse Crescent, Toronto 15, Ontario.

Officers

President.....	LANE REGINALD CHESTER.....	Executive.....	88 Jackson Avenue, Toronto 18, Ontario.
Vice-President..	JACK BOYD COUTTS	Executive	5 Valleyanna Drive, Toronto 12, Ontario.
Secretary.....	GEORGE FRANCIS TRAVELLE.....	Executive.....	7 Robinhood Road, Islington, Ontario.
Treasurer.....	MALCOLM GORDON FRAZER.....	Executive.....	20 Weybridge Court, Islington, Ontario.

5. The auditors of the Company are Messrs. Clarkson, Gordon & Co., Chartered Accountants, 15 Wellington Street West, Toronto, Ontario.

6. The transfer agent and registrar for the Class B Preference Shares without par value (to be designated as "60¢ Cumulative Preference Shares" as referred to in paragraph 7 hereof) and the Common Shares with-

out par value of the Company is The Canada Trust Company at its offices in the Cities of Toronto, Montreal and Vancouver at the following addresses:

33 Adelaide Street West, Toronto, Ontario.

631 Dorchester Boulevard West, Station B, Montreal, P.Q.

901 West Pender Street, Vancouver 1, B.C.

Eastern & Chartered Trust Company is the registrar for the 6¼% Sinking Fund Debentures Series A (hereinafter sometimes referred to as the "Series A Debentures") maturing on April 1, 1987 referred to in paragraph 9 hereof and registers upon which coupon Series A Debentures may be registered as to principal and upon which fully registered Series A Debentures shall be registered as to principal and interest and upon which transfers of Series A Debentures so registered shall be recorded are kept by the said registrar at its principal offices in the Cities of Toronto, Montreal and Winnipeg.

7. Upon the amalgamation referred to in paragraph 2 hereof the authorized share capital of the Company consisted of 83,230 Class A Preference Shares with a par value of \$31 each, 156,675 Class B Preference Shares without par value and 400,000 Common Shares without par value of which 83,225 Class A Preference Shares, 156,666 Class B Preference Shares and 200,000 Common Shares were issued and outstanding as fully paid and non-assessable.

The said 83,225 Class A Preference Shares have been called for redemption on June 24, 1965 and to the extent that such Class A Preference Shares have not been purchased for cancellation prior to such date they will be redeemed on such date and accordingly none of such shares will be outstanding at the time of the delivery to the public of the securities offered by this prospectus. Upon the purchase for cancellation or redemption of such shares the Company has paid or will pay accrued dividends thereon from April 24, 1965 to the respective dates of purchase or redemption at the rate of 5¾% per annum.

A general meeting of the shareholders of the Company is to be held on or about June 25, 1965 for the purpose, among other things, of considering and, if thought fit, passing a resolution confirming with or without variation a resolution passed by the directors authorizing the Company to make application to the Lieutenant Governor of the Province of Ontario on or after the redemption of the said Class A Preference Shares for the issue of supplementary letters patent cancelling the five unissued Class A Preference Shares, designating the said Class B Preference Shares as 60¢ Cumulative Preference Shares without par value and providing for the preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to the said 60¢ Cumulative Preference Shares.

A meeting of the holders of the said Class B Preference Shares was held on May 26, 1965 at which a resolution was passed authorizing the Company to make application for the issue of supplementary letters patent as aforesaid.

If the said resolution is duly passed at the said general meeting of the shareholders of the Company, it is proposed that the Company will, on or promptly after June 25, 1965, make application to the Lieutenant Governor of the Province of Ontario for the issue of supplementary letters patent as aforesaid which will be issued before the delivery to the public of the securities offered by this prospectus.

Upon the issue to the Company of supplementary letters patent as aforesaid the authorized capital of the Company will consist of 156,675 60¢ Cumulative Preference Shares without par value (hereinafter sometimes called the "Preference Shares") and 400,000 Common Shares without par value of which 156,666 60¢ Cumulative Preference Shares and 200,000 Common Shares will have been issued and will be outstanding as fully paid and non-assessable.

8. The 60¢ Cumulative Preference Shares without par value (hereinafter in this paragraph called the "Preference Shares") will, upon the issue of supplementary letters patent as aforesaid, have attached thereto preferences, rights, conditions, restrictions, limitations and prohibitions substantially as follows:

(1) The holders of the Preference Shares, in priority to the Common Shares, shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors out of the moneys of the Company properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of sixty cents (60¢) per share per annum payable quarterly on the first days of

January, April, July and October in each year on the amounts from time to time paid up thereon; such dividends shall accrue from such date or dates not later than six (6) months after the respective dates of issue as may in the case of each issue be determined by the board of directors of the Company or in case no date be so determined prior to any such issue then from the date of such issue; cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada shall be issued in respect of such dividends; if on any dividend payment date the dividend payable on such date is not paid in full on all of the Preference Shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Company on which the Company shall have sufficient moneys properly applicable to the payment of the same; the holders of the Preference Shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for;

(2) In the event of the liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Preference Shares shall be entitled to receive all declared and unpaid preferential dividends thereon before any amount shall be paid or any property or assets of the Company distributed to the holders of any Common Shares and thereafter the holders of the Preference Shares and the holders of the Common Shares shall be entitled to share equally share for share in all further distributions of the property or assets of the Company;

(3) No dividends shall at any time be declared or paid on or set apart for payment on the Common Shares unless all dividends up to and including the dividend payable for the last completed quarter on the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on the Common Shares;

(4) The holders of the Preference Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless and until the Company from time to time shall fail to pay in the aggregate six (6) quarterly dividends on the Preference Shares on the dates on which the same should be paid according to the terms hereof and unless and until six (6) quarterly dividends on such shares shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter but only so long as any dividends on the Preference Shares remain in arrears the holders of the Preference Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each Preference Share held and shall be entitled, voting separately and exclusively as a class, to elect one (1) member of the board of directors of the Company; nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors;

Notwithstanding anything contained in the by-laws of the Company, the term of office of all persons who may be directors of the Company at any time when the right to elect a director shall accrue to the holders of Preference Shares as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders shall have been held, shall terminate upon the election of directors at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right to elect a director upon not less than twenty (20) days' written notice and which shall be called by the secretary of the Company upon the written request of the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares; in default of the calling of such general meeting by the secretary within five (5) days after the making of such request, such meeting may be called by any holder of record of Preference Shares;

In the event of the death, resignation or disqualification of any member of the board elected by the holders of Preference Shares, voting separately and exclusively as a class, in accordance with the foregoing provisions the vacancy may be filled by the board of directors; whether or not such vacancy is so filled by the board, the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares shall have the right to require the secretary of the Company to call a meeting of the holders of

Preference Shares for the purpose of filling the vacancy or replacing the person elected or appointed to fill such vacancy and the provisions of the last preceding paragraph shall apply with respect to the calling of any such meeting;

Notwithstanding anything contained in the by-laws of the Company (i) upon any termination of the voting rights of the holders of the Preference Shares, the term of office of the director elected or appointed to represent the holders of Preference Shares exclusively shall forthwith terminate and (ii) the holding of one (1) Preference Share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of Preference Shares exclusively;

(5) So long as any of the Preference Shares are outstanding the Company shall not declare or pay any dividends on the Common Shares unless immediately after giving effect to such action the aggregate amount declared and/or paid subsequent to the date of the first issue of any of the Preference Shares as dividends on all shares of all classes of the Company will not be more than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to the date of the first issue of any of the Preference Shares plus the net cash proceeds to the Company of the issue after the first day of May, A.D. 1965, of any Common Shares plus One Hundred Thousand dollars (\$100,000); "consolidated net earnings available for dividends" of the Company and its subsidiaries means the consolidated net earnings of the Company and its subsidiaries calculated as provided in clause (6) hereof except that in calculating consolidated net earnings available for dividends the earnings or losses of any subsidiary shall only be included from the date when such subsidiary became a subsidiary of the Company and taxes on income and interest on funded indebtedness shall be deducted as operating expenses from gross earnings and income;

For the purposes of this clause (5) and subject to the foregoing provisions hereof, the directors of the Company may from time to time determine the consolidated net earnings available for dividends of the Company and its subsidiaries as of a date not more than ninety (90) days prior to the making of such determination and may determine such consolidated net earnings available for dividends to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet of the Company and its subsidiaries and/or the last available audited balance sheet of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet of the Company and its subsidiaries and/or the last available unaudited balance sheet of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report or other data if to their knowledge any event has happened which would materially and adversely affect such consolidated net earnings available for dividends as determined on such basis; upon any determination having been made by the directors under the provisions hereof the consolidated net earnings available for dividends of the Company and its subsidiaries as at any date within a period of ninety (90) days following the date as of which such determination is made (unless any further determination of such consolidated net earnings available for dividends is so made within the said period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class;

(6) Subject as hereinafter provided, so long as any of the Preference Shares are outstanding the Company shall not without, but may from time to time with, the approval of the holders of the Preference Shares given as hereinafter specified,

- (a) issue or become liable on any funded indebtedness; or
- (b) permit any subsidiary to guarantee any indebtedness or dividends of or give any other guarantee on behalf of any person, firm or corporation other than the Company; or
- (c) sell or otherwise dispose of any funded indebtedness or shares of any subsidiary or permit any subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to any subsidiary of the Company) any funded indebtedness or shares of such subsidiary or of any other subsidiary; or

- (d) sell or otherwise dispose of or permit any subsidiary company to sell or otherwise dispose of (except to the Company or to any subsidiary of the Company) by conveyance, transfer, lease or otherwise the assets and undertaking of the Company or of a subsidiary, as the case may be, as an entirety or substantially as an entirety; or
- (e) be voluntarily liquidated, dissolved or wound up or distribute its assets among its shareholders (except by way of dividends) or surrender its charter;

provided always that the foregoing restrictions shall not apply to nor operate to prevent,

- (i) the giving of security or securities (except on fixed assets) by the Company or a subsidiary to any bank or banks or to any other lending institution for present or future debts or liabilities of the Company or such subsidiary to such bank or banks or lending institution provided that such debts or liabilities do not constitute funded indebtedness; or
- (ii) the deposit of cash or obligations of the Government of Canada in connection with contracts or tenders in the ordinary course of business or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incident to current construction, mechanics', warehousemen's, carriers' and other similar liens; or
- (iii) the extension, renewal or refunding by a subsidiary of any funded indebtedness of such subsidiary to the extent of the principal amount of such funded indebtedness at the time of such extension, renewal or refunding provided that such funded indebtedness was funded indebtedness of the subsidiary at the time when such subsidiary became a subsidiary; or
- (iv) any subsidiary guaranteeing the obligations (other than funded indebtedness) of customers and suppliers in the ordinary course of business; or
- (v) the extension, renewal or refunding by the Company of any funded indebtedness of the Company to the extent of the principal amount of such funded indebtedness at the time of such extension, renewal or refunding; or
- (vi) the securing from time to time by the Company and or by any subsidiary of any funded indebtedness permitted under paragraphs (iii) or (v) of this sub-clause; or
- (vii) the amalgamation of any subsidiary of the Company with any other subsidiary or subsidiaries of the Company; or
- (viii) the granting by the Company or any subsidiary, to any person determined by the directors of the Company to be an executive of the Company or of any subsidiary, of an option or options to subscribe for or purchase shares of any subsidiary and the sale or issuance of any shares pursuant to the exercise of any such option or options;

Notwithstanding anything herein contained the foregoing restrictions shall not prevent or be so construed as to prevent the Company or any subsidiary company or companies creating, issuing or becoming liable on funded indebtedness if the average consolidated net earnings of the Company and its subsidiary companies for either the two (2) completed fiscal years or any twenty-four (24) consecutive calendar months out of the thirty-six (36) calendar months next preceding such creation, issuance or becoming liable, as the case may be, shall have been at least equal to three (3) times the aggregate annual interest requirements of all consolidated funded indebtedness of the Company and its subsidiary companies which is to be outstanding immediately after such creation, issuance or becoming liable, as the case may be, and the Company and or any subsidiary may give security from time to time in respect of any such funded indebtedness;

"Consolidated net earnings" of the Company and its subsidiary companies as used herein means all the gross earnings and income of the Company and all its subsidiary companies from all sources less all administrative, selling and operating charges and expenses of every character of the Company and all its subsidiary companies (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice; without limitation of the generality of the foregoing, operating expenses shall include insurance, maintenance, repairs, renewals (except such expenditures for renewals as are chargeable to capital account in accordance with generally accepted accounting practice), rentals, licences, taxes (other than taxes on income)

and interest (other than interest on funded indebtedness) and such provisions or allowances for bad and doubtful debts as the directors in their discretion, with the approval of the Company's auditors, may determine, and, in addition to actual expenditures for maintenance, reasonable allowance for depreciation; the net earnings of any subsidiary company for the purpose of this definition shall only include such part of the net earnings and income of such subsidiary company calculated as aforesaid as under generally accepted accounting practice is applicable to those shares of such subsidiary company which are held by the Company or any other subsidiary company; if, at the time of determining consolidated net earnings for any past period, the Company or any subsidiary has acquired, is in the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such other company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) and if the net proceeds of the then proposed issue of funded indebtedness are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to which a resolution of the directors shall be conclusive and binding), then the net earnings or net losses of such property or such other company for the same past period (calculated in accordance with the provisions herein contained respecting consolidated net earnings) shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses as the case may be in the computation of consolidated net earnings; in any calculation of consolidated net earnings in connection with the Company or any subsidiary creating, issuing or becoming liable on any funded indebtedness (but not for any other purpose) the Company shall be deemed to have had completed fiscal years in each of the years ended on the thirty-first day of January in 1964 and 1965 and for such years the consolidated net earnings (calculated in accordance with the provisions herein contained respecting consolidated net earnings) of Maher Shoes Limited, a company incorporated under the laws of the Province of Ontario by Letters Patent dated the sixth day of January, A.D. 1912, for its fiscal years ended on such dates shall be included as net earnings of the Company and the auditors of the Company may rely upon a report of the auditors of the said Maher Shoes Limited with respect to such consolidated net earnings;

"Funded indebtedness" as used herein means any indebtedness the principal amount of which by its terms is not payable on demand and matures more than eighteen (18) months after the date of the creation or issuance thereof and any liability (contingent or otherwise) in respect of any guarantee by the Company or any subsidiary of any such indebtedness of any person, firm or corporation;

"Consolidated funded indebtedness" as used herein means the aggregate amount of all funded indebtedness of the Company and all its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice;

For the purposes of this clause (6) and subject to the foregoing provisions hereof, consolidated funded indebtedness and the amount thereof and consolidated net earnings shall be determined by the auditors of the Company and such auditors in so determining shall be deemed to be acting as experts and such determination by the auditors of the Company from time to time shall be deemed to be correct and shall be conclusive and binding on the Company and the holders of shares of every class;

"Subsidiary company" or "subsidiary" as used herein means (a) any corporation or company of which all the outstanding shares of each class of its shares are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary; and (b) any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are for the time being owned by or held for the Company and/or any subsidiary of the Company if, but only if, the directors of the Company by resolution (passed either before or after fifty per cent (50%) of the outstanding voting shares of such corporation or company become owned by or held for the Company and/or any subsidiary of the Company) determine that such corporation or company shall be deemed to be a subsidiary of the Company and only so long as more than fifty per cent (50%) of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company; any such resolution shall not be revocable and shall be conclusive and binding upon all parties in interest; "voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened; if by reason of any such resolu-

tion any corporation or company (hereinafter called a "deemed subsidiary") is deemed to be a subsidiary of the Company then any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are or shall at any time be owned by or held for a deemed subsidiary and/or any other corporation or company in like relation to a deemed subsidiary shall be deemed to be a subsidiary of the Company and any other corporation or company in like relation to such a corporation or company shall also be deemed to be a subsidiary of the Company;

(7) Nothing contained in these provisions numbered (1) to (9) both inclusive shall apply to or operate to restrict the subdivision or consolidation or change of the Common Shares into a greater or lesser number of Common Shares or the creation or issuance of Common Shares at any time or from time to time provided that the Common Shares shall not be subdivided into a greater number of Common Shares unless immediately after such subdivision the equity value per share of each Preference Share and Common Share to be outstanding immediately after such subdivision shall be at least equal to Ten dollars (\$10) per share; for such purpose each Preference Share and Common Share shall be deemed to have the same equity value and equity value per share shall mean the total of the values attributable to all the Preference Shares and Common Shares to be outstanding immediately after such subdivision based on the paid up capital of the Company, its retained earnings and capital surplus (if any) as at the date of the last audited balance sheet of the Company, divided by the number of Preference Shares and Common Shares to be outstanding immediately after such subdivision, all determined in accordance with generally accepted accounting practice by the auditors of the Company whose determination shall be conclusive and binding on the Company and the holders of shares of every class; such auditors may rely upon the last audited balance sheet of the Company;

(8) The Common Shares shall rank junior to the Preference Shares except as provided in clause (2) hereof and shall be subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares and the holders of the Common Shares shall be entitled to two (2) votes in respect of each Common Share held at all meetings of the shareholders of the Company; and

(9) The authorization required by subsection 4 of section 33 of The Corporations Act to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares or to create preference shares ranking in priority to or on a parity with the Preference Shares or the approval of holders of the Preference Shares as to any and all matters referred to herein may be given by resolution passed at a meeting of the holders of the Preference Shares duly called and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Preference Shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than two-thirds ($\frac{2}{3}$) of the Preference Shares represented and voted at such meeting cast on a poll; if at any such meeting the holders of a majority of the outstanding Preference Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of the holders of not less than two-thirds ($\frac{2}{3}$) of the Preference Shares represented and voted at such adjourned meeting cast on a poll shall constitute the authorization or approval of the holders of Preference Shares referred to above; the formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Preference Shares shall be entitled to one (1) vote in respect of each Preference Share held.

9. On April 23, 1965 Maher Shoes Limited (referred to in paragraph 2 hereof) issued \$1,750,000 principal amount of 6 $\frac{1}{4}$ % Sinking Fund Debentures Series A (hereinafter referred to as the "Series A Debentures") maturing April 1, 1987, which were issued pursuant to a Trust Indenture (hereinafter referred to as the

"Trust Indenture") dated as of March 15, 1965, made between Maher Shoes Limited and Eastern & Chartered Trust Company, as Trustee. As a result of the amalgamation referred to in paragraph 2 hereof the Series A Debentures are direct obligations of the Company. The Series A Debentures are in the opinion of counsel for the Company secured by a first floating charge under the laws of Ontario on the undertaking and all the property and assets of the Company in the Province of Ontario now owned or hereafter acquired but subject to an exception as to the last day of the term of any lease or agreement therefor.

The Trust Indenture has not been registered against the properties (whether freehold or leasehold) of Maher Shoes Limited or the Company and accordingly the said floating charge, in so far as it relates to such properties, is subject to any interests acquired by third parties in respect of such properties which, by reason of non-registration, may rank prior to the said floating charge.

The consent to the said floating charge of the various lessors of properties leased to Maher Shoes Limited or the Company has not been obtained and accordingly the said floating charge is subject in the event of enforcement thereof to the rights of such lessors.

The Trust Indenture contains provisions permitting the issuance (subject as hereinafter referred to) from time to time of additional Debentures (herein called "Additional Debentures") thereunder without limitation as to aggregate principal amount, which Additional Debentures will be secured equally and rateably with the Series A Debentures save only as to sinking fund provisions applicable to different issues.

The Trust Indenture contains covenants to the effect that so long as any of the Series A Debentures remain outstanding:

- A. Neither the Company nor any subsidiary will mortgage, hypothecate, charge, pledge or otherwise encumber any of its assets to secure any moneys, debts, liabilities, bonds, debentures, notes or other obligations other than the Debentures.
- B. The Company will not issue any Additional Debentures under the Trust Indenture or issue or become liable on any other funded obligations unless
 - (i) the average annual consolidated net earnings of the Company and its subsidiaries for the last two completed fiscal periods of the Company next preceding such issue or next preceding the Company so becoming liable, as the case may be, shall have been at least equal to four times the aggregate annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be; and
 - (ii) the aggregate of (a) the average annual consolidated net earnings of the Company and its subsidiaries for the last two completed fiscal periods of the Company next preceding such issue or next preceding the Company so becoming liable, as the case may be, and (b) the average annual consolidated minimum rentals paid or payable under major leases by the Company and its subsidiaries for such two fiscal periods shall have been at least equal to one and three-quarter ($1\frac{3}{4}$) times the aggregate of (c) the aggregate annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be, and (d) the consolidated minimum rentals payable by the Company and its subsidiaries during the year immediately after such issue or immediately after the Company so becoming liable, as the case may be, under major leases in effect at the time of such issue or at the time of the Company so becoming liable, as the case may be; and
 - (iii) the consolidated net tangible assets of the Company and its subsidiaries as at a date not more than 120 days prior to the date of such issue or to the date of the Company so becoming liable, as the case may be, shall have been equal to at least twice the principal amount of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be.

Provided that, for all purposes of the Trust Indenture, any funded obligations outstanding at the time of any such issue or of the Company so becoming liable, as the case may be, which

are to be retired within one week following such time and all moneys required to retire which funded obligations are paid to the Trustee at such time or the payment of which moneys is provided for to the satisfaction of the Trustee at such time shall be deemed not to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be.

- C. No Additional Debentures or other funded obligations of the Company will be issued under the Trust Indenture or otherwise having a maturity date prior to April 1, 1987 other than Debentures or other obligations maturing serially.
- D. The aggregate amount payable by way of serial maturities and/or mandatory sinking fund payments in any year in respect of the funded obligations of any issue of the Company shall not bear a higher ratio to the aggregate principal amount issued of the funded obligations of such issue than the ratio borne by the mandatory sinking fund payment payable in that year in respect of the Series A Debentures to the total principal amount of Series A Debentures issued unless the annual mandatory sinking fund payments in respect of the Series A Debentures are increased proportionately; provided that no amount shall be payable by way of serial maturities and/or mandatory sinking fund payments in any of the years 1965 to 1967 inclusive. For the purpose of this Clause D a sinking fund payment to retire a specified principal amount shall be deemed to be the principal amount so to be retired.
- E. The Company will not permit consolidated net current assets of the Company and its subsidiaries at any time to be less than \$750,000.
- F. The Company will not
 - (i) declare or pay any dividends (other than stock dividends in shares of the Company and other than fixed cumulative preferential cash dividends on the 60¢ Cumulative Preference Shares of the Company) on any of its shares at any time outstanding; or
 - (ii) redeem, reduce, purchase or otherwise pay off any of its shares (other than the Class A Preference Shares to be retired as referred to in paragraph 7 hereof) at any time outstanding (except out of the proceeds of an issue of shares made at any time after May 1, 1965 and prior to or contemporaneously with any such redemption, reduction, purchase or payment)unless immediately after giving effect to such action the consolidated net current assets of the Company and its subsidiaries are not less than the greater of (a) \$850,000 or (b) an amount equal to forty per cent (40%) of all the consolidated funded obligations of the Company and its subsidiaries, and unless immediately after giving effect to such action the aggregate amount
 - (a) declared and/or paid subsequent to March 31, 1965 as dividends (other than in shares of the Company) on all shares of all classes of the Company; and
 - (b) distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to March 31, 1965 in respect of all shares of all classes of the Company (other than the said Class A Preference Shares)

will not be more than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to March 31, 1965 plus the net cash proceeds to the Company of the issue after May 1, 1965 of any of its shares and plus the sum of \$100,000.

- G. The Company will not sell or otherwise dispose of any funded obligations or preference shares of any subsidiary nor will the Company permit any subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) any funded obligations or preference shares of such subsidiary or of any other subsidiary.
- H. Subject to certain exceptions set forth in the Trust Indenture, the Company will not sell or otherwise dispose of or permit any subsidiary to sell or otherwise dispose of (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) by conveyance, transfer, lease or otherwise the assets and undertaking of the Company or of any subsidiary, as the case may be, as an entirety or substantially as an entirety.

- I. The Company will not permit any subsidiary to guarantee any indebtedness or dividends of or give any other guarantee on behalf of any person, firm or corporation other than the Company.
- J. Subject to the provisions of the Trust Indenture and in particular Clause H above set forth, the Company or any subsidiary may, until the security constituted by the Trust Indenture shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, sell or otherwise dispose of any of the lands and/or buildings owned by it at such prices and on such terms as the Company may determine provided that so long as any Series A Debenture is outstanding if the Company shall sell or otherwise dispose of (which term shall include any expropriation or destruction) any property or properties listed in the Second Schedule to the Trust Indenture or any property or properties substituted therefor pursuant to the provisions of this Clause J the Company shall forthwith provide the Trustee with a certificate advising of such disposal and setting forth the amount of the net proceeds received therefor. The Company may also provide the Trustee with a certificate listing the properties owned by the Company which are to be substituted for properties so sold or disposed of and setting forth the cost to the Company of the same and after such certificate is provided to the Trustee the said properties shall for all purposes of the Trust Indenture be so substituted. In the event that the aggregate of the net proceeds of such properties so disposed of shall for a period of six months exceed the aggregate cost of properties so substituted then the Company shall forthwith redeem Series A Debentures in an aggregate principal amount equal (to the nearest \$1,000) to the excess existing at the end of such six month period less the aggregate principal amount of Series A Debentures previously redeemed under the provisions of this Clause J. Notwithstanding anything herein contained if at any time when the Company would be required to redeem Series A Debentures under this Clause J as hereinbefore provided the principal amount so to be redeemed is less than \$10,000 then the Company shall not be required to make any redemption hereunder. Any Series A Debentures so redeemed are to be deemed to be redeemed at the option of the Company, are not to be redeemed through the operation of the sinking fund to be established therefor under the Trust Indenture and are not to constitute a sinking fund credit. Any certificate given by the Company pursuant to the provisions of this Clause J shall be conclusive as to all matters set out therein. For the purposes of this Clause J, (i) "net proceeds" means the cash receipts, the principal amount of any mortgage, note, lien, indebtedness, charge or encumbrance and the value at the time of sale or disposal hereunder of any property received or taken by the Company in connection with or forming any part of the consideration for property so sold or disposed of and the proceeds of any insurance received by the Company in connection with any property destroyed or partially destroyed less, in each case, reasonable expenses incurred by the Company in connection with any such sale or disposal, and (ii) "cost" means the cash paid, the principal amount of any mortgage, note, lien, indebtedness, charge or encumbrance and the value at the time of purchase of any property given or assumed by the Company in connection with or forming part of any consideration for any purchase hereunder.
- K. The Company will not enter into or become liable under any major lease (other than a major lease with respect to any property occupied by and leased to the Company and or any subsidiary at the time or immediately preceding the time of such entering into or so becoming liable, as the case may be) unless the aggregate of (a) the average annual consolidated net earnings of the Company and its subsidiaries for the last two completed fiscal periods of the Company next preceding the entering into or so becoming liable, as the case may be, and (b) the average annual consolidated minimum rentals under major leases paid or payable by the Company and its subsidiaries for such two fiscal periods shall have been at least equal to one and three-quarter ($1\frac{3}{4}$) times the aggregate of (c) the aggregate annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after the entering into or so becoming liable, as the case may be, and (d) the consolidated minimum rentals payable by the Company and its subsidiaries during the year immediately after the entering into or so becoming liable, as the case may be, under major leases in effect at the time of the entering into or so becoming liable, as the case may be.

The foregoing Clauses A to K inclusive and the said floating charge shall not apply to nor operate to prevent and there shall be permitted

- (i) the assuming or giving of purchase money mortgages or other purchase money liens on property acquired by the Company or by any subsidiary after May 1, 1965 up to but not exceeding 66 $\frac{2}{3}$ % of the cost of the property so acquired; or
- (ii) the acquiring by the Company or any subsidiary after May 1, 1965 of property subject to any mortgage, lien, charge or encumbrance thereon at the time of such acquisition; or
- (iii) the extension, renewal or refunding of any mortgage, hypothec, lien, charge or encumbrance permitted under subdivisions (i) or (ii) hereof to the extent of the principal amount of the indebtedness secured by and owing under any such mortgage, hypothec, lien, charge or encumbrance at the time of such extension, renewal or refunding and the securing of such indebtedness in the same manner as such indebtedness was secured at the time of such extension, renewal or refunding provided that the property encumbered by such security is not increased at such time; or
- (iv) the giving of security or the issuance or disposal of funded obligations by a subsidiary to secure the Debentures; or
- (v) any subsidiary guaranteeing the obligations (other than funded obligations) of customers and suppliers in the ordinary course of business; or
- (vi) the extension, renewal or refunding, by an issue of funded obligations complying with the provisions of the foregoing Clauses C and D, by the Company of any funded obligations of the Company to the extent of the principal amount of such last mentioned funded obligations at the time of such extension, renewal or refunding or the extension, renewal or refunding by a subsidiary of any funded obligations of such subsidiary to the extent of the principal amount of such last mentioned funded obligations at the time of such extension, renewal or refunding; or
- (vii) the securing of any funded obligations issued as permitted under subdivision (vi) hereof in the same manner as the funded obligations extended, renewed or refunded were secured at the time of such extension, renewal or refunding; or
- (viii) the giving of security or securities (except on fixed assets and except on shares of subsidiary companies) by the Company or any subsidiary to any bank or banks or to any other lending institution or institutions for present or future debts or liabilities of the Company or such subsidiary to such bank or banks or lending institution or institutions provided that such debts or liabilities do not constitute funded obligations; or
- (ix) the amalgamation of any subsidiary of the Company with any other subsidiary or subsidiaries of the Company; or
- (x) (a) the deposit of cash or obligations of the Government of Canada in connection with contracts or tenders in the ordinary course of business or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law and public and statutory obligations; or (b) liens or claims incident to current construction, mechanics', warehousemen's, carriers' and other similar liens; or (c) the incurring of obligations under forward commitments of purchase relating to current operations or under any lease (other than a major lease) entered into in the ordinary course of business or any guarantee of such obligations given in the ordinary course of business; or
- (xi) the Company (until the security hereby constituted shall have become enforceable and the Trustee shall have determined or become bound to enforce the same) pledging, selling, alienating, leasing, assigning, mortgaging, hypothecating, charging or otherwise disposing of or dealing with the subject matters of the said floating charge in the ordinary course of its business and for the purpose of carrying on the same provided that any such action is not in breach of any express provision of the Trust Indenture and that the Company shall not create or assume any mortgage, hypothec, charge, pledge, lien or other encumbrance upon the subject matters of such floating charge or

- any part thereof ranking or purporting to rank in priority to or pari passu with such floating charge except as expressly permitted under subdivisions (i) to (x) inclusive above set forth; or
- (xii) the sale by the Company on or before December 31, 1965 of its head office and factory building and the contemporaneous leasing by the Company of the said building from its then owner; or
 - (xiii) the granting by the Company or any subsidiary, to any person determined by the directors of the Company to be an executive of the Company or of any subsidiary, of an option or options to subscribe for or purchase shares of any subsidiary and the sale or issuance of any shares pursuant to the exercise of any such option or options.

The Trust Indenture provides that the Company will have the right at any time subsequent to April 1, 1965 and prior to maturity, upon giving at least 30 days prior notice, to redeem at any time all the outstanding Series A Debentures or from time to time any part thereof by lot at (if redeemed otherwise than out of sinking fund moneys) the principal amount thereof plus a premium of $6\frac{1}{4}\%$ of such principal amount if redeemed on or before April 1, 1966, such premium thereafter decreasing .30 of 1% of such principal amount for each year commenced or elapsed from April 1, 1966 to the date specified for redemption up to and including April 1, 1986, and thereafter and prior to maturity at the principal amount thereof, in each case plus accrued interest to the date specified for redemption.

The Trust Indenture further provides that notwithstanding the foregoing provisions the Company shall not redeem the Series A Debentures (otherwise than out of sinking fund moneys) in whole or in part on or before April 1, 1977 in connection with a refunding operation by the application, directly or indirectly, of borrowed funds having an interest cost to the Company of less than $6\frac{1}{4}\%$ per annum.

Under the Trust Indenture the Company is to establish a sinking fund for the retirement on April 1 in each of the years 1968 to 1986 inclusive of the respective aggregate principal amounts of the Series A Debentures shown opposite such dates hereunder, namely:

<u>Date April 1</u>	<u>Principal Amount of Series A Debentures to be Retired</u>	<u>Date April 1</u>	<u>Principal Amount of Series A Debentures to be Retired</u>
1968.....	\$ 48,000	1977.....	\$ 80,000
1969.....	50,000	1978.....	85,000
1970.....	53,000	1979.....	90,000
1971.....	57,000	1980.....	96,000
1972.....	60,000	1981.....	101,000
1973.....	64,000	1982.....	108,000
1974.....	67,000	1983.....	114,000
1975.....	72,000	1984.....	121,000
1976.....	76,000	1985.....	128,000
		1986.....	136,000

The Company is to have the right at any time to purchase Series A Debentures in the market or by private contract at prices not exceeding the redemption price (including accrued interest) current at the time of purchase in respect of Series A Debentures redeemed otherwise than out of sinking fund moneys plus costs of purchase.

All Series A Debentures purchased or redeemed (except Series A Debentures purchased or redeemed out of sinking fund moneys) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which at the election of the Company may be applied (to the extent not theretofore applied) in denominations of \$1,000 and multiples thereof in satisfaction in whole or in part of required sinking fund payments payable thereafter.

The Trust Indenture contains definitions of certain of the terms used above.

The Series A Debentures rank ahead of all shares in the capital of the Company.

The outstanding Class A Preference Shares of the Company, which have been called for redemption as referred to in paragraph 7 hereof, presently rank ahead of the securities offered by this prospectus but will be redeemed or purchased for cancellation before the delivery to the public of the securities offered hereby. The 60¢ Cumulative Preference Shares of the Company rank ahead of the Common Shares of the Company. There are outstanding at the date of this prospectus 1,363 Class B Preference Shares of the Company (exclusive of the Class B Preference Shares which, as designated as set forth in paragraph 7 hereof, are offered by this prospectus) which rank pari passu with the 60¢ Cumulative Preference Shares offered by this prospectus and which will bear the same designation and be part of the same class as the Preference Shares offered by this prospectus. There are outstanding at the date of this prospectus 120,000 Common Shares of the Company (exclusive of the Common Shares offered by this prospectus) which rank pari passu with the Common Shares offered by this prospectus.

Except as referred to above, there are no bonds, debentures or other securities issued or outstanding or proposed to be issued which if issued will rank ahead of or pari passu with the securities offered by this prospectus.

10. No substantial indebtedness is presently proposed or intended to be created or assumed by the Company which is not shown or referred to in the pro forma balance sheet of the Company as at April 30, 1965 forming part of this prospectus. In the ordinary course of the Company's business the Company has incurred and will incur current bank indebtedness for working capital purposes. Such bank indebtedness amounted at May 31, 1965 to approximately \$233,000 and it is expected that it may increase by the end of June, 1965 to approximately \$900,000. However, upon the completion of the sale referred to in paragraph 31 hereof, such indebtedness is not expected to exceed the amount shown in the said pro forma balance sheet.

11. No securities of the Company are covered by options outstanding or proposed to be given by the Company.

12. The number of shares of each class offered by this prospectus and the correct descriptive title thereof and the issue price thereof to the public and the terms thereof are as stated on pages 2 and 3 of this prospectus, to which reference is hereby made.

13. The securities offered by this prospectus are outstanding shares and no part of the proceeds from the sale thereof will be received by the Company.

14. Under an agreement dated May 31, 1965 between Rendellhall Investments Limited and Equitable Securities Canada Limited, Rendellhall Investments Limited (the directors and shareholders of which include D. G. Willmot and David Russell, directors of the Company) has agreed to sell and Equitable Securities Canada Limited (the directors and shareholders of which include G. M. Wilson, a director of the Company) has agreed on its own behalf to purchase the 155,303 60¢ Cumulative Preference Shares offered by this prospectus for \$9.02 per share payable in cash against delivery of certificates representing the said 60¢ Cumulative Preference Shares on or about June 30, 1965 upon the terms and subject to the conditions set forth in the said agreement. The 155,303 60¢ Cumulative Preference Shares offered by this prospectus have been held by Rendellhall Investments Limited since the amalgamation referred to in paragraph 2 hereof and are the shares (originally designated as Class B Preference Shares) into which 155,303 Class B Preference Shares of Farnsworth Stores Limited, subscribed for at a price of \$9.02 per share by Rendellhall Investments Limited prior to the said amalgamation, were converted upon such amalgamation.

The 80,000 Common Shares offered by this prospectus have been held by Equitable Securities Canada Limited since the amalgamation referred to in paragraph 2 hereof and are the shares into which 80,000 Common Shares of Farnsworth Stores Limited, subscribed for at a price of \$9.20 per share by Equitable Securities Canada Limited subsequent to the acquisition of the common shares of Maher Shoes Limited by Farnsworth Stores Limited referred to in paragraph 19 hereof and prior to the said amalgamation, were converted upon such amalgamation.

15. The by-laws of the Company contain the following provisions as to the remuneration of the directors:

"The remuneration to be paid to the directors shall be such as the board of directors shall from time to time determine and such remuneration shall be in addition to the salary paid to any officer or employee of the Company who is also a member of the board of directors. The directors may also by resolution award

special remuneration to any director undertaking any special services on the Company's behalf other than the routine work ordinarily required of a director by the Company and the confirmation of any such resolution or resolutions by the shareholders shall not be required. The directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Company."

16. The aggregate remuneration paid by Maher Shoes Limited during its last completed full financial year (being the year ended January 31, 1965) to directors, as such, was nil and to officers who individually received remuneration in excess of \$10,000 per annum was \$99,300. The aggregate remuneration paid by Maher Shoes Limited during the financial period from February 1, 1965 to April 23, 1965 (being the period from the expiry of the last full financial year of Maher Shoes Limited to the day prior to the date of the said amalgamation) to directors, as such, was nil and to officers who individually received remuneration at a rate in excess of \$10,000 per annum was \$38,200. No remuneration was paid to any director or officer of Farnsworth Stores Limited prior to the amalgamation referred to in paragraph 2 hereof. The aggregate remuneration estimated to be paid or payable during the current financial year of the Company (being the period from the date of the said amalgamation to March 31, 1966) to directors, as such, is nil and to officers who individually may be entitled to receive remuneration at a rate in excess of \$10,000 per annum is \$100,000.

17. Under an agreement dated April 22, 1965 between Maher Shoes Limited and Equitable Securities Canada Limited providing for the sale by Equitable Securities Canada Limited, as agent of Maher Shoes Limited, of the \$1,750,000 aggregate principal amount of 6¼% Sinking Fund Debentures Series A of Maher Shoes Limited referred to in paragraph 9 hereof Maher Shoes Limited paid a commission of \$35,000 to Equitable Securities Canada Limited. Except as aforesaid no amount has been paid within the two years preceding the date hereof or is payable as commission by the Company or Maher Shoes Limited or Farnsworth Stores Limited for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company or Maher Shoes Limited or Farnsworth Stores Limited.

18. The Company, as the company continuing from the amalgamation of Maher Shoes Limited and Farnsworth Stores Limited, commenced carrying on business on April 24, 1965. Maher Shoes Limited, however, carried on business since January 6, 1912 and Farnsworth Stores Limited carried on business since November 23, 1964, in each case to the date of the said amalgamation.

19. On January 29, 1965 Farnsworth Stores Limited purchased, pursuant to an agreement dated November 24, 1964 between Frederick Goldwin Gardiner, Dennis Archer Mason, Lane Reginald Chester, Jack Boyd Coutts and Neil John MacKinnon, Executors of the Estate of James Patterson Maher, and Farnsworth Stores Limited, 72,000 of the 125,000 outstanding common shares in the capital of Maher Shoes Limited at the price of \$40 per share. On December 4, 1964 Farnsworth Stores Limited made an offer to purchase, at the price of \$40 per share, all the common shares of Maher Shoes Limited other than those owned by the Estate of James Patterson Maher. 51,637 common shares of Maher Shoes Limited were acquired by Farnsworth Stores Limited pursuant to the said offer of December 4, 1964 (as extended from time to time) and these common shares together with the 72,000 common shares of Maher Shoes Limited acquired by Farnsworth Stores Limited from the Estate of James Patterson Maher were cancelled upon the amalgamation referred to in paragraph 2 hereof of Maher Shoes Limited and Farnsworth Stores Limited. Each of the remaining 1,363 common shares of Maher Shoes Limited were converted into one Class A Preference Share with a par value of \$31 each and one Class B Preference Share without par value of the Company upon the said amalgamation.

On May 28, 1964 Maher Shoes Limited purchased, pursuant to an agreement dated May 1, 1964 between the said Executors of the Estate of James Patterson Maher and Maher Shoes Limited, the present head office premises of the Company located at 144 Front Street West, Toronto, Ontario, at a price of \$550,000 paid in cash.

No property has been purchased or acquired or is proposed to be purchased or acquired by the Company or Farnsworth Stores Limited or Maher Shoes Limited the purchase price of which is to be defrayed in whole or in part out of the proceeds of the issue of the securities offered hereby or has been paid within the

last two years preceding the date hereof or is to be paid in whole or in part in securities of the Company or the purchase or acquisition of which has not been completed at the date hereof. None of the proceeds of the sale of the securities offered by this prospectus will be paid to the Company.

20. The Estate of James Patterson Maher was the only vendor of common shares of Maher Shoes Limited aggregating more than 10% of the total number of common shares of Maher Shoes Limited purchased or acquired by Farnsworth Stores Limited as referred to in paragraph **19** hereof. The said Estate of James Patterson Maher received the aggregate sum of \$2,880,000 for its common shares of Maher Shoes Limited and its address is c/o F. G. Gardiner, Messrs. Parkinson, Gardiner, Roberts, 365 Bay Street, Toronto, Ontario. No portion of the purchase price paid by Farnsworth Stores Limited for the common shares of Maher Shoes Limited was paid for goodwill.

21. No securities of the Company or of Maher Shoes Limited or of Farnsworth Stores Limited have within the two years preceding the date hereof been issued or agreed to be issued as fully or partly paid up otherwise than in cash except that all the outstanding shares of the Company are shares resulting from the conversion, upon the said amalgamation referred to in paragraph **2** hereof, of shares of Maher Shoes Limited or of Farnsworth Stores Limited which were outstanding at the time of such amalgamation.

22. No obligations are offered by this prospectus.

23. No services have been rendered or are to be rendered to the Company or to Maher Shoes Limited or to Farnsworth Stores Limited which have been within the two years preceding the date hereof or are to be paid for by securities of the Company. None of the proceeds of the sale of the securities offered by this prospectus will be paid to the Company. Reference is made to the commission referred to in paragraph **17** hereof.

24. No amount has been paid within the two years preceding the date hereof or is intended to be paid to any promoter.

25. The dates of and the parties to and the general nature of every material contract entered into within the two years preceding the date hereof (other than contracts entered into in the ordinary course of business) are as follows:

(1) The agreement dated May 1, 1964 between the Executors of the Estate of James Patterson Maher and Maher Shoes Limited relating to the head office premises of the Company and referred to in paragraph **19** hereof.

(2) The agreement dated November 24, 1964 between the Executors of the Estate of James Patterson Maher and Farnsworth Stores Limited relating to common shares of Maher Shoes Limited and referred to in paragraph **19** hereof.

(3) The contracts resulting from the acceptances of the offer dated December 4, 1964 of Farnsworth Stores Limited to purchase common shares of Maher Shoes Limited referred to in paragraph **19** hereof.

(4) An agreement dated March 9, 1965 between Equitable Securities Canada Limited and Rendellhall Investments Limited, subsequently amended by a further agreement dated May 31, 1965 between the same parties, under which agreement dated March 9, 1965 as so amended Equitable Securities Canada Limited has the right to sell to Rendellhall Investments Limited at a price of \$9.20 per share the 80,000 Common Shares in the capital of the Company acquired by Equitable Securities Canada Limited as set forth in paragraph **14** hereof in the event that certain terms and conditions set forth in the said agreement dated March 9, 1965 as so amended are not fulfilled or complied with.

(5) An agreement dated March 9, 1965 between Farnsworth Stores Limited and Rendellhall Investments Limited under which the Company is now obligated to pay certain of the expenses in connection with the sale by Rendellhall Investments Limited to Equitable Securities Canada Limited of the 155,303 60¢ Cumulative Preference Shares of the Company offered by this prospectus.

(6) An agreement dated March 9, 1965 between Farnsworth Stores Limited and Equitable Securities Canada Limited under which the Company is now obligated to pay certain of the expenses in connection

with the sale by Equitable Securities Canada Limited to the public of the 80,000 Common Shares of the Company offered by this prospectus.

(7) The amalgamation agreement dated March 9, 1965 between Maher Shoes Limited and Farnsworth Stores Limited providing for the amalgamation referred to in paragraph 2 hereof.

(8) The Trust Indenture referred to in paragraph 9 hereof.

(9) The agreement dated April 22, 1965 between Maher Shoes Limited and Equitable Securities Canada Limited referred to in paragraph 17 hereof.

(10) The agreement dated May 31, 1965 between Rendellhall Investments Limited and Equitable Securities Canada Limited referred to in paragraph 14 hereof.

(11) An agreement dated April 30, 1965 between the Company and Equitable Securities Canada Limited whereby the latter was appointed investment adviser of the Company until February 28, 1966 at an aggregate fee of \$15,000 payable on February 28, 1966 or on such earlier or later date as may be mutually agreed upon.

(12) The agreement dated June 3, 1965 between the Company and Rendellhall Investments Limited referred to in paragraph 31 hereof.

Copies of the said documents may be inspected at the head office of the Company during ordinary business hours during the course of primary distribution to the public of the securities offered hereby and for 30 days thereafter.

26. No director of the Company personally or as a partner in a firm has or has had within the two years preceding the date hereof any interest in the promotion of or in any property acquired by the Company or Maher Shoes Limited or Farnsworth Stores Limited or proposed to be acquired by the Company except that Messrs. Lane R. Chester, Jack B. Coutts, George F. Travelle and Thomas P. Wilson, who are directors of the Company, are beneficiaries of the Estate of James Patterson Maher from which the head office premises of the Company were acquired by Maher Shoes Limited as set forth in paragraph 19 hereof and from which Farnsworth Stores Limited purchased 72,000 common shares of Maher Shoes Limited as referred to in paragraph 19 hereof and except that each of the said directors sold to Farnsworth Stores Limited, pursuant to the offer dated December 4, 1964 referred to in paragraph 19 hereof, all common shares of Maher Shoes Limited owned by them personally. Messrs. Lane R. Chester and Jack B. Coutts are also two of the Executors of the said Estate. No sums have been paid or agreed to be paid to any director or to a firm of which any director is a partner in cash or securities or otherwise by any person either to induce him to become or to qualify him as a director or otherwise for services rendered by a director or by any firm of which he is a partner in connection with the promotion or formation of the Company.

27. The Company commenced carrying on business on April 24, 1965. However, as is referred to in paragraph 2 hereof, the Company is the company continuing from the amalgamation of Maher Shoes Limited and Farnsworth Stores Limited and the business now carried on by the Company was in fact carried on by Maher Shoes Limited from 1912 to the date of the said amalgamation.

28. By reason of the beneficial ownership of Common Shares of the Company Rendellhall Investments Limited is in a position to, or entitled to, elect or cause to be elected a majority of the directors of the Company. The address of Rendellhall Investments Limited is 60 Yonge Street, Toronto, Ontario. Messrs. Willmot and Russell, who are directors of the Company, are shareholders of Rendellhall Investments Limited holding in the aggregate between them more than 50% of its outstanding common shares and acting collectively, although there is no agreement between them to do so, can control its affairs.

29. No securities of the Company are held in escrow.

30. No dividends have been paid on any shares in the capital of the Company or on any shares in the capital of Farnsworth Stores Limited except as referred to in paragraph 7 hereof. A dividend of 11.2 cents per share has been declared on the Preference Shares of the Company payable on July 1, 1965 to holders of

record on June 29, 1965 (so that purchasers of the Preference Shares offered hereby will not receive such dividend but will be entitled to dividends accruing from July 1, 1965) and a dividend of 7.8 cents per share has been declared on the Common Shares of the Company payable on July 1, 1965 to holders of record on June 29, 1965 (so that purchasers of the Common Shares offered hereby will not receive such dividend but will be entitled to subsequent dividends declared thereon). No dividends have been paid on any shares in the capital of Maher Shoes Limited since December 10, 1964. Particulars of the dividends paid by Maher Shoes Limited during the five years ended January 31, 1965 are as follows:

dividends at the rate of 30¢ per common share outstanding were paid on each of the 10th days of March, June, September and December in each of the years 1960, 1961, 1962 and 1963 and on each of the 10th days of March and June in the year 1964 and dividends at the rate of 35¢ per common share outstanding were paid on each of the 10th days of September and December in the year 1964.

31. Under an agreement dated June 3, 1965 between the Company and Rendellhall Investments Limited the Company has agreed to sell to Rendellhall Investments Limited its head office premises referred to in paragraph 19 hereof for a price of \$625,000 and Rendellhall Investments Limited has agreed to lease such premises back to the Company for a period of twenty-five years at an annual rental of \$43,884, the tenant to pay all municipal taxes and insurance premiums and to be responsible for all repairs. The said agreement provides that if during the period of three months from the date thereof the Company obtains a binding commitment from another source for the sale, purchase and leasing back of the said premises at a price or on terms (including terms of the lease) which in the opinion of the directors of the Company is or are more favourable to the Company, the Company shall have the right to rescind the said agreement and to proceed with such other sale, purchase and leasing back. The said agreement also provides that the Company shall have an option to repurchase the said premises at the end of the term of the lease at a price of \$306,250. In the event that the said premises are purchased by Rendellhall Investments Limited, then during the eighteen months following such purchase Rendellhall Investments Limited may elect to extend or shorten the term of the lease by up to three years or may confirm that such term is not to be extended or shortened. Upon the expiration of the said eighteen months or upon the lease term being so altered or upon such confirmation, whichever is earlier, the Company may elect to have a number of annual repurchase options. Changes in rent are to result from these elections. All the foregoing alterations, including the determination of repurchase option prices, are governed and limited by formulas provided in the agreement. The said agreement also contains further provisions which, at any time after the expiration of ten years, may, under certain conditions, cause the rent per month to be increased and may also, under certain conditions, cause a renewal term to be entered into. The said agreement further provides that if the said premises are sold by Rendellhall Investments Limited under arrangements which require Rendellhall Investments Limited to pay a fee or commission to an agent in respect of such sale then at the request and direction of Rendellhall Investments Limited the Company shall pay the amount of such fee or commission up to a maximum of 1% of the purchase price.

32. The preferences, rights, conditions, restrictions, limitations and prohibitions attaching at the date of this prospectus to the 83,230 Class A Preference Shares and the 156,675 Class B Preference Shares in the capital of the Company may be inspected at the head office of the Company during ordinary business hours during the course of the primary distribution to the public of the securities offered hereby and for 30 days thereafter. Such preferences, rights, conditions, restrictions, limitations and prohibitions will at the time of the issue to the public of the securities offered hereby (which are presently outstanding shares) no longer be in effect and the Preference Shares offered hereby will, at the time of such issue to the public, have attached thereto preferences, rights, conditions, restrictions, limitations and prohibitions substantially as set forth in paragraph 8 hereof.

33. There are no other material facts not disclosed in the foregoing, including the information supplied by the President of the Company on pages 4 to 8 inclusive of this prospectus.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), by the Securities Act, 1962 (British Columbia), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

DATED this 4th day of June, 1965.

Directors

(Signed) L. R. CHESTER

(Signed) D. G. WILLMOT
by his attorney L. R. CHESTER

(Signed) J. B. COUTTS

(Signed) DAVID RUSSELL
by his attorney L. R. CHESTER

(Signed) G. F. TRAVELLE

(Signed) T. P. WILSON

(Signed) G. M. WILSON

Underwriters

To the best of our knowledge, information and belief the foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), by the Securities Act, 1962 (British Columbia), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

EQUITABLE SECURITIES CANADA LIMITED

By: (Signed) J. F. PLEWMAN

The following are the names of every person having an interest either directly or indirectly to the extent of not less than five per cent in the capital of Equitable Securities Canada Limited: Estate of William N. Hovey, George M. Wilson, John S. Hill, James R. South, A. Donald McEwen, Blair B. Deale, Martin G. Kent, Donald J. Rogers, John F. Plewman and Maurice L. Tourigny.

13.

OFFICERS

Lane Reginald Chester	President	88 Jackson Avenue, Toronto 18, Ontario.
Jack Boyd Coutts	Vice-President	5 Valleyanna Drive, Toronto 12, Ontario.
George Francis Travelle	Secretary	7 Robinhood Road, Islington, Ontario.
Malcolm Gordon Frazer	Treasurer	20 Weybridge Court, Islington, Ontario.

14.

CERTIFICATE

Pursuant to a resolution passed by the board of directors the applicant Company hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



MAHER SHOES ONTARIO LIMITED

"L. R. CHESTER", President.

"G. F. TRAVELLE", Secretary.

15.

CERTIFICATE OF UNDERWRITER

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



EQUITABLE SECURITIES CANADA LIMITED

"G. M. WILSON", President.

"JOHN S. HILL", Secretary.

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

DISTRIBUTION OF 60¢ CUMULATIVE PREFERRED STOCK AS OF AUGUST 4, 1965

Number	Shares
89 Holders of 1 — 99 share lots	4,208
177 " " 100 — 199 " "	18,365
75 " " 200 — 299 " "	15,385
30 " " 300 — 399 " "	9,100
18 " " 400 — 499 " "	7,300
54 " " 500 — 999 " "	28,600
26 " " 1000 — up " "	73,708
469 Shareholders	Total shares 156,666

DISTRIBUTION OF COMMON STOCK AS OF AUGUST 4, 1965

Number	Shares
109 Holders of 1 — 99 share lots	4,175
85 " " 100 — 199 " "	8,870
31 " " 200 — 299 " "	6,450
9 " " 300 — 399 " "	2,700
4 " " 400 — 499 " "	1,600
21 " " 500 — 999 " "	10,850
16 " " 1000 — up " "	165,355
275 Shareholders	Total shares 200,000

